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SEC Charges Eight Social Media Influencers in \$100 Million Stock Manipulation Scheme Promoted On Discord and Twitter

Litigation Release No. 25591 / December 14, 2022

Securities and Exchange Commission v. Edward Constantin, et al., No. 4:22-cv-04306 (S.D. Tex. filed Dec. 13, 2022)

On December 13, 2022, the Securities and Exchange Commission brought charges against eight individuals in a \$100 million securities fraud scheme in which they used the social media platforms Twitter and Discord to manipulate exchange-traded stocks.

[Complaint](#) [► SEC Complaint](#)

According to the SEC, since at least January 2020, seven of the individuals charged in the complaint promoted themselves as successful traders and cultivated hundreds of thousands of followers on Twitter and in stock trading chatrooms on Discord. The defendants purchased certain stocks and then encouraged their substantial social media following to buy those selected stocks by posting price targets or indicating they were buying, holding, or adding to their stock positions. However, as the complaint alleges, when share prices and/or trading volumes rose in the promoted securities, the individuals regularly sold their shares without ever having disclosed their plans to dump the securities while they were promoting them.

Name State of Residence Twitter Handle

Perry Matlock Texas @PJ_Matlock

Edward Constantin Texas @MrZackMorris

Thomas Cooperman California @ohheytommy

Gary Deel California @notoriousalerts

Mitchell Hennessey New Jersey @Hugh_Henne

Stefan Hrvatin Florida @LadeBackk

John Rybarczyk Texas @Ultra_Calls

The following seven individuals were charged with securities fraud:

The complaint further charges Daniel Knight (Twitter Handle @DipDeity), of Texas, with aiding and abetting the alleged scheme by, among other things, co-hosting a podcast in which he promoted many of the other individuals as expert traders and provided them with a forum for their manipulative statements. Knight also traded in concert with the other defendants and regularly generated profits from the manipulation. Matlock, Constantin, Cooperman, Deel, Hennessey, Hrvatin, and Rybarczyk are charged with violating, and Knight is charged with aiding and abetting, Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder and Section 17(a) of the Securities Act of 1933.

The SEC's complaint filed in the U.S. District Court for the Southern District of Texas seeks permanent injunctions, disgorgement, prejudgment interest, and civil penalties against each defendant, as well as a penny stock bar against Hrvatin. Criminal charges against all eight individuals were also filed in a parallel action brought by the Department of Justice's Fraud Section and the U.S. Attorney's Office for the Southern District of Texas.

The SEC's investigation, which is ongoing, is being handled by Andrew Palid, David Scheffler, and Michele T. Perillo of the Market Abuse Unit (MAU) in the Boston Regional Office, with assistance from Darren Boerner of the MAU, Stuart Jackson, Kathryn

Schumann-foster and Marina Martynova of the Division of Risk and Economic Analysis (DERA), and Howard Kaplan of the Office of Investigative and Market Analytics. The investigation resulted from a referral from the Division of Examinations by Mark A. Gera, John Kachmor, Nitish Bahadur, and Raymond Tan in the Boston Regional Office. The litigation will be led by David D'Addio and Amy Burkart of the Boston Regional Office.

The SEC appreciates the assistance of the Criminal Fraud Section of the U.S. Department of Justice, the United States Attorney's Office for the Southern District of Texas, the Federal Bureau of Investigation, and the Financial Industry Regulatory Authority.

The SEC's Office of Investor Education and Advocacy has issued an [Investor Alert on Social Media and Investment Fraud](#). Investors can find additional information, including the warning signs of fraud, at [Investor.gov](#).

Modified: December 14, 2022

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